



County of Los Angeles

CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

June 16, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

2005 WINTER STORMS - FINANCING OF EMERGENCY STORM REPAIR PROJECTS (AGENDA ITEM NO. 13 OF JUNE 20, 2005 BUDGET DELIBERATIONS)

During the Board hearing on March 22, 2005, your Board instructed the Chief Administrative Office (CAO) to report back on the damage to County beaches and a thorough analysis of the Road Fund. In addition, on April 5, 2005, your Board requested a detailed analysis of how the remaining emergency storm repair projects will be financed and report back on how to establish an emergency contingency fund.

SUMMARY OF FINDINGS

Public Works - Road Fund

Our review included an assessment of the Road Fund's program budgets and its use of gas tax revenue which is a primary source of ongoing revenue for the Road Fund. We also reviewed the Road Fund's prior year commitment activities, a two-year cash flow projection, fund balance history, and the Road Guarantee Trust Fund deposits.

Overall, the Road Fund's Fiscal Year (FY) 2005-06 Budget provides sufficient funding for the remaining storm recovery work, ongoing maintenance and safety operations, and road improvement projects without impacting priority projects. Attachment A provides a summary of the financing plan for the road-related storm recovery work.

Also, with the Governor's reversal of the suspension of the allocation of Proposition 42 funding, the Road Fund is projected to receive an additional \$25.0 million in FY 2005-06 and does not require additional General Fund monies beyond the \$10.0 million previously allocated by your Board.

Public Works Road Fund - Emergency Contingency Fund

In order to minimize impact to essential services and priority road projects in future State/federal declared disasters, we recommend, and Public Works concurs, that the department develop a formal policy to allocate \$10.0 million as an emergency contingency within the Road Fund's annual budget. The department is anticipating that after the storm season, and if the contingency funds were not required for emergency purposes, the department will return to the Board with priority road projects for consideration and utilize those funds if necessary.

This emergency contingency fund will be reestablished each year during the annual budget process. Due to the storm recovery efforts during FY 2005-06, it is anticipated that the department can set up the contingency fund no earlier than FY 2006-07.

Beaches and Harbors

We have also assessed the damage to County beaches caused by the 2005 Winter Storms. The review identified \$19.2 million in repairs for the damages, including failed slopes, undermined roads and embankments, and damaged irrigation systems, sewage tanks, and accessways. We are recommending that the \$19.2 million in costs for the necessary repairs be financed from a combination of funding from the Federal Emergency Management Agency (FEMA), Office of Emergency Services (OES), and General Fund resources.

BACKGROUND/JUSTIFICATION

Road Fund Budget Review

Public Works Road Fund provides improvements, maintenance, and safety operation services to County roads in the unincorporated areas. With a FY 2005-06 Final Recommended Budget totaling \$293.0 million, including \$50.0 million for the 2005 Winter Storm recovery work, this budget is funded primarily through the gas tax revenue and grants/reimbursements from other governmental agencies. The Road Fund also receives some revenues from contract cities and issuance of permits and inspections of construction within public right of way.

As a result of the 2005 Winter Storms, the County's roadway infrastructure suffered substantial damage projected at \$83.0 million. Compounded with the suspension of Proposition 42 revenue in FY 2003-04 and FY 2004-05 due to State Budget deficits, the Road Fund temporarily suspended FY 2004-05 budgeted projects in order to self-finance storm related emergency responses while maintaining a reasonable level of essential services.

Financing of the Remaining Storm-Related Road Projects

Since your Board's April 5, 2005 action to provide \$10.0 million from the General Fund to the Road Fund for storm-related road projects, several new developments have occurred which dramatically improved funding conditions for storm damage recovery work.

These funding improvements include:

- Governor's May Revised Budget proposes reversing the suspension of Proposition 42 funds which will result in an additional \$25.0 million to the Road Fund in 2005-06.
- \$13.4 million in federal-aid exchange funds, currently deposited in the Road Guarantee Trust Fund, can now be used to finance road operations.
- \$15.0 million in reimbursements from the Federal Highways Administration (FHWA) are likely to occur in 18 months, instead of the six to eight years previously reported by the department.
- \$2.0 million in additional savings from cancellation of prior year commitments have been identified by the department.

Attachment A provides a summary of the storm recovery costs for FY 2004-05 and FY 2005-06, and funding sources for the costs.

Public Works provided a funding update to your Board on May 17, 2005 (Attachment B), describing financing of the storm damage work and ongoing maintenance, operations, and road improvement projects in the Road Fund's 2005-06 Budget using the sources included above without the \$15.0 million FHWA reimbursements anticipated in 2006-07.

We recommend that the \$15.0 million FHWA reimbursements be budgeted and accrued in FY 2005-06 (the same fiscal year which project encumbrances would be budgeted). This will ensure minimal impact to scheduled road projects, while continuing the storm recovery work.

Road Fund Cash Flow

In March of 2005, Public Works asserted that due to the off-timing of continued storm recovery work and reimbursements from FEMA's Disaster Assistance and FHWA's Emergency Relief programs, a gap between available cash and expenditure requirements was likely to occur in the Road Fund in FY 2005-06. Based on our review of Public Work's updated cash flow assumptions, the first cash deficit is anticipated at the end of June 2006 in the amount of \$4.8 million. This projection assumes an aggregate conservative reimbursement rate of 28 percent for FEMA projects and that the reimbursement will be received in five months instead of the 60-day reimbursement timeline.

The Road Fund participates in the County's cash management program, similar to the Hospital Enterprise Funds and the Public Library Special Fund. The County General Fund will provide short-term cash advances to the Road Fund should a short-term cash deficit occur in FY 2005-06.

Establishment of an Emergency Contingency Fund

In past storms and other catastrophic disasters, the Road Fund used available fund balance and savings from deferrals of non-essential, non-safety, and non-emergency road projects to remain self-sufficient. Although the Road Fund, by practice, does not appropriate funds specifically for emergency contingency, this budget has had contingency funds appropriated in prior years. For example, a key source of funding utilized to finance the storm recovery efforts is \$10.0 million from the appropriation for contingency established from prior year surplus fund balance.

The Fire Department, a special fund/special district, recently established a policy to appropriate four percent of its annual budget into a designation for operating contingencies to finance unmet needs or unexpected events. A review of Road Fund's fund balance history indicates that the Road Fund has carried contingency funds higher than \$10.0 million in three out of the five past fiscal years. In order to maintain long-term financial stability, and to establish an emergency contingency within the Road Fund, Public Works agreed to develop a formal policy to appropriate \$10.0 million of its available fund balance into an emergency contingency.

My staff will work with the department during the annual budget process to establish the emergency contingency fund and reassess the need in May of each year after the storm season. If the contingency fund is no longer needed for emergency purposes, the department may return for Board approval of priority road projects using funding from the emergency contingency fund.

Beach Damage and Repairs

The assessment of the damage to County beaches was performed by the Department of Beaches and Harbors, in consultation with their Harbor Engineers, and identified repairs related to public safety, as well as the ones which pose a potential liability, totaling \$19.2 million. Attachment C provides a listing of storm damage projects.

The review identified damage along several major beaches, such as undermined landings, damage to guard rails, and loss of irrigation systems at Malibu/Surfrider Beach; embankment erosion and damaged storm drains at Redondo Beach; broken storm drain pipes and beach erosion at Torrance Beach; undermined bluffs and beach erosion at Topanga Beach; hillside erosion at Nicholas Canyon Beach; and beach erosion at Mother's Beach, Dockweiler, Venice, Point Dume, Dan Blocker and Zuma beaches.

Repairs on engineered beaches, or assets supporting natural infrastructure such as a hillside supporting a road, are considered eligible costs for reimbursement under FEMA. Repairs for damages to natural beaches, slope stabilization, and County overhead are generally considered ineligible for reimbursement. The Department of Beaches and Harbors, working with the CAO, has determined that approximately \$10.6 million of the required repairs may be eligible for reimbursement. This Office continues to work with FEMA/OES to identify and fund eligible disaster-related costs.

We have included in our FY 2005-06 Final Changes that the remaining \$8.6 million in ineligible costs be funded from net County cost savings. This will include \$4.0 million in the FY 2005-06 Extraordinary Maintenance Budget for County overhead costs for both FEMA/OES eligible and ineligible projects; and \$4.0 million in the FY 2005-06 Capital Projects/Refurbishment Budget for FEMA/OES ineligible projects (hard costs only).

We have discussed the findings of this report with the respective departments. If you have any questions regarding this report, please contact me or have your staff contact Amy Clarke at (213) 974-1163, or Jan Takata at (213) 974-1360.

DEJ:DIL
ADC:AY:kd

Attachments (3)

c: Executive Officer, Board of Supervisors
Auditor-Controller
Acting Director, Public Works
Director, Beaches and Harbors

PUBLIC WORKS - ROAD FUND
FINANCING OF JANUARY 2005 STORM DAMAGE RECOVERY
TOTAL PROJECTED COST OF \$83 MILLION

	(In Millions) Financing Requirements	(In Millions) Financing Sources	Notes
<u>Projected Recovery Work in FY 2004-05</u>			
Appropriation for Contingency	\$33		\$10 Budget Adjustment approved on 01/25/05
General Fund Contribution			\$10 Budget Adjustment approved on 04/05/05
Deferral of Scheduled Activities/Purchases			\$11 Road improvements and maintenance work, fixed assets
Prior-Year Commitment/AP Cancellations			\$2 Over and above the \$4.0 million budgeted in Proposed
	<u>\$33</u>	<u>\$33</u>	
<u>Projected Recovery Work in FY 2005-06</u>			
Exchanged RSTP/State Match Funds	\$50		\$13 Funds deposited in the Road Guarantee Trust Fund
FEMA/OES Reimbursements			\$23 Revenue accrued, anticipate reimbursements in 2005-06 and 2006-07
FHWA Reimbursements			\$15 Revenue accrued, anticipate reimbursements in 2006-07
	<u>\$50</u>	<u>\$51</u>	
Total Projected Work	<u>\$83</u>	<u>\$84</u>	

NOTE: The \$25 million Proposition 42 funds in fiscal year 2005-06 would help to advance storm damage repairs and scheduled non-essential, non-safety and non-emergency road projects that would otherwise be deferred.



COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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May 17, 2005

IN REPLY PLEASE
REFER TO FILE: PD-0

TO: Each Supervisor

FROM: Donald L. Wolfe *DL Wolfe*
Acting Director of Public Works

2005 WINTER RAINSTORMS—DAMAGE TO COUNTY ROADS FUNDING REPORT UPDATE

As you are aware, the Governor's May Revise of his proposed State Budget for Fiscal Year 2005-06 includes full funding of Proposition 42 transportation programs. As a result, we will receive almost \$25 million for the maintenance and preservation of County unincorporated roads in Fiscal Year 2005-06 if the State Legislature approves the Governor's funding proposal. This funding, which was not included in our original budget for Fiscal Year 2005-06, will greatly assist in the completion of all of the storm damage repair work before the end of calendar year 2006. Since our initial funding status report to you in February 2005, we have had several other new developments with regards to the available funding for this work. As a result, our plan for Fiscal Year 2005-06 now includes not only the storm damage work but also continuing with our ongoing maintenance, operations, and road improvement projects.

We project that by June 30, 2005, we will have completed approximately \$33 million of the \$83 million estimated work to repair our storm damaged roads. This work was financed by:

- \$10 million budget adjustment from the Road Fund Appropriation for Contingencies approved by the Board on January 25, 2005.
- \$10 million of General funds provided to Public Works as a result of Board action on April 5, 2005.
- Delay of \$4 million in scheduled road improvement projects.
- Deferral of \$4.6 million in maintenance work.
- Delay of \$2.4 million of fixed-asset purchases.
- Cancellation of \$2 million in prior year encumbrance commitments.

The balance of the storm drainage repair, \$50 million, is proposed to be financed as follows:

- \$23 million of reimbursement from the Federal Emergency Management Agency. (This work will be financed initially by the Third and Fifth District project funds until the revenue is earned and will be credited back to the respective District's project funds.)
- \$13 million in Federal-aid exchange funds that were reserved for future eligible projects. We previously reported that these funds could only be used to finance the cost of certain eligible projects. Through our follow-up since the storms, we were advised by Caltrans on May 9, 2005, that these funds may now be used to finance the storm damage repair work.
- \$4 million of the Third District's share of Proposition 42 funds.
- \$7 million of the Fifth District's share of Proposition 42 funds.
- \$3 million reallocation of maintenance resources to complete the force account disaster-related work.

We recently found that the Federal government had provided additional funding for the Emergency Relief Program late last calendar year. While this funding will not have an immediate impact on our reimbursement from the Federal Highways Administration for eligible storm damage repair work, Caltrans reports that reimbursement is most likely in 18 months instead of 6 to 8 years as previously reported. Since the time frame for reimbursement cannot be assured, we have not shown the estimated \$15 million of reimbursement from Federal Highways Administration in our Fiscal Year 2005-06 Budget. This revenue will be recognized when received and will reimburse the project funds that were used to finance the storm damage work.

We are continuing to work with the Chief Administrative Office on the details of this financing. Our financing plan will be presented during the 2005-06 Budget deliberations. Please note that while we are optimistic that we will be able to finance all of the storm damage repair work in Fiscal Year 2005-06, there is ongoing earth movement. The full extent of the storm-related damage to County roads may not be known until late this summer. We also anticipate future pavement deterioration as a result of the heavy rains. We will not know the full extent of this accelerated deterioration for several years.

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cc: Chief Administrative Office
Executive Office

**BEACHES AND HARBORS
STORM DAMAGE PROJECTS
FY 05-06**

Attachment C

FUNDING SUMMARY

Potentially Eligible FEMA Projects	
Hard Cost	10,645,305
Soft Cost	<u>3,283,102</u>
TOTAL	\$ 13,928,407
FEMA Ineligible Projects	
Hard Cost	4,015,948
Soft Cost	956,800
Contingency	<u>380,633</u>
TOTAL	\$ 5,353,381
Total Project Cost	\$ 19,281,788
Potentially Eligible FEMA Projects - Hard Cost (Federal and State Disaster Aid budget)	\$ 10,645,305
Potentially Eligible FEMA Projects - Soft Cost	3,283,102
FEMA Ineligible Projects	<u>5,353,381</u>
TOTAL NCC	\$ 8,636,483
Total Funding	\$ 19,281,788

PROJECT DETAIL

<u>C.P. No.</u>	<u>Project Name</u>	<u>Hard Cost</u>	<u>Soft Cost</u>	<u>Total Project Cost</u>
POTENTIALLY ELIGIBLE FEMA PROJECTS				
	Nicholas Canyon Beach Upper Slope Repair	\$ 110,200	\$ 12,740	\$ 122,940
	Nicholas Canyon Lower Embankment Repair	2,204,000	904,800	3,108,800
	Broad Beach Accessway	99,699	209,691	309,390
	Malibu Accessway -25118 Malibu Rd.	160,243	236,934	397,177
	Malibu/Surfrider Concrete Pad	12,028	3,292	15,320
	Redondo/Spphire Storm Drain	12,505	4,255	16,760
	Point Dume Parking Lot	21,537	6,340	27,877
	Topanga Beach Bluff	1,067,750	241,405	1,309,155
	Redondo Beach Upper Walkway	85,000	19,500	104,500
	Zuma Beach Access Road & Public Entrance	372,138	56,363	428,501
	Beach Sandbagging/Debris Removal	39,000	-	39,000
	Redondo Beach Sand Loss	5,011,975	1,265,177	6,277,152
	Zuma Arizona Crossing	39,510	12,841	52,351
	Malibu Accessway - 22670 PCH	3,680	416	4,096
	Malibu Accessway - 24604 Malibu Rd.	55,200	6,240	61,440
	Malibu Accessway - 22434 Malibu Rd.	1,840	208	2,048
	Malibu Accessway - 24714 Malibu Rd.	146,000	16,900	162,900
	Malibu Accessway - 27150 PCH	230,000	36,400	266,400
	Zuma Beach Restroom Roof Tile	5,000	-	5,000
	Dockweiler Beach Erosion	294,000	72,800	366,800
	Mother's Beach Erosion	84,000	20,800	104,800
	Torrance Beach Erosion	294,000	72,800	366,800
	Torrance Beach Storm Drain	2,000	10,400	12,400
	Venice Beach Erosion	294,000	72,800	366,800
	SUBTOTAL	\$ 10,645,305	\$ 3,283,102	\$ 13,928,407
NON-FEMA ELIGIBLE				
86807	RFURB-Malibu Tank & Rebar Removal	\$ 349,948	\$ 67,600	\$ 417,548
86808	RFURB-Moonshadows Accessway	390,000	78,000	468,000
86809	RFURB-Dan Blocker Beach Erosion	672,000	166,400	838,400
86810	RFURB-Malibu Beach Erosion	630,000	156,000	786,000
86811	RFURB-Point Dume Beach Erosion	672,000	166,400	838,400
86812	RFURB-Topanga Beach Erosion	672,000	166,400	838,400
86813	RFURB-Zuma Beach Erosion	630,000	156,000	786,000
	CONTINGENCY	-	-	380,633
	SUBTOTAL	\$ 4,015,948	\$ 956,800	\$ 5,353,381
TOTAL STORM DAMAGE		\$ 14,661,253	\$ 4,239,902	\$ 19,281,788